

ROUTING AND RECORD SHEET

SUBJECT (Optional)

New Building Funding Considerations

FROM: Daniel C. King
Director of Logistics

EXTENSION

NO.

OL 2 4850

DATE

21 OCT 1982

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TO: (Officer designation, room number, and building)

DATE

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COMMENTS (Number each comment to show from whom to whom. Draw a line across column after each comment.)

1. DDA
7D18 HQS

1. Thru

4. C/AG/O/Compt
4E06 HQS

Dave,

While I agree with Larry that we should try to maintain direct Agency control of the money, neither he nor I want to do so at the risk of jeopardizing the project. We can live with any of the options and for that reason seek the Comptroller's advice as to which option is most likely to succeed. Also, if split funding is provided, we can adjust the work as required to meet the first year funds (including any small sums which you may need to redirect). Our priority is simply to get on with the project.

 /s/
 for Daniel C. King

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NEW BUILDING FUNDING CONSIDERATIONS

During the fall of 1981, three means of funding the proposed new building on the Headquarters compound were considered:

1. Federal Building Fund - Request to be made by General Services Administration (GSA) through submission of a Prospectus
2. Agency Budget - Allowing the building to compete with other Agency priorities
3. Separate Legislation

As a result of EXCOM discussion in December 1981, Admiral Inman directed that construction funding be included in the Agency budget. Mr. Lipton, then Comptroller, recommended seeking one large appropriation of multiyear funds to ensure that all funding required would in fact be obtained.

Based on this guidance, all planning efforts to date have focused on providing a plan for one large building to be funded out of CIA appropriations. This has resulted in a project design that makes it difficult to phase funding, and a management agreement with GSA that is largely dependent on CIA funding to assure the Agency that the design will be implemented to our satisfaction.

In May 1982, Keith Hall, Office of Management & Budget (OMB), ressurected the concept of pursuing funding through the Federal Building Fund. The motivation is clearly to provide a funding mechanism that does not reflect in the Administration's bottom line FY-84 budget. The Agency has argued against use of the Fund, primarily because of the political uncertainty of the authorization process associated with the Public Works Committees of Congress. GSA representatives have strongly recommended against this funding route based on their experience with the Pork Barrel competition they have experienced.

One further disadvantage to the Agency is the degree of control surrendered when GSA becomes the source of funding. One can argue that GSA will implement the Agency-provided design in an acceptable fashion. However, the Agency will be at a definite disadvantage in the latter stages of construction when changing operational requirements make it necessary to implement change orders to make the building ready for operation. Contingency funds in the amount of \$11 million are set aside for this

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purpose. Agency funding control gives us great leverage in ensuring Agency priorities are met. If GSA has funding control, the Agency will find itself in the familiar role of tenant, and GSA will view our change requests in light of their building management role. Historically, this has meant settling for less than desired.

The one large advantage of pursuing the Federal Building Fund is the unique authorization and appropriation process associated with it. GSA presents a Prospectus to Congress describing the project and citing the funds required. Once authorized by Congress, no separate appropriation is required. The fact of authorization constitutes authority for GSA to draw on the Fund up to the limit of the authorization without further Congressional action. Of course one should be cautioned that this is the theory and in fact the process has never been tested due to lack of money in the Fund.

A final cautionary note raised by GSA regards the definition of Public Building. The Fund was established for the sole purpose of funding construction of "Public Buildings." There is the possibility that our pursuit of the Fund will raise a Congressional debate on the definition of the term. An example cited by GSA is National Institute of Health (NIH). In the case of NIH, separate appropriations were sought for construction of their hospital on the premise that this is not a Public Building.

A rhetorical question that arises is whether the Agency will be allowed to redirect any of the \$183 million in construction funds currently in the FY-84 budget to other Agency priorities. The question arises because of OMB's motivation for steering us to the Fund. If they are successful in reducing the Administration budget by that amount, what then is their motivation to restore it?

If the Agency continues on course, seeking a separate appropriation, then we are obviously confronted with the continuing problem of trading off other priorities for the building. Any attempt to phase funding to reduce FY-84 impact transfers funding risk to FY-85. Phased funding options developed all presume excavation for the building will be permitted in FY-84, even though the balance of building funds will be at risk in the FY-85 budget. If OMB does not permit excavation in FY-84, then the project is extended by a full year and additional impacts will be felt for preparation and occupation of additional leased space.

If OMB permits the excavation but the FY-85 budget climate is highly unfavorable, the Agency will be faced with a major capital investment and no operational gain.

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With this background in mind, the following set of funding priorities is suggested:

- A. Proceed with the current appropriation request of \$187 million in 1984.
- B. Proceed with a partial appropriation in 1984, but include excavation for the office building.
- C. Pursue authorization of total construction funding from the Federal Building Fund, accepting the risks of reduced CIA control.
- D. Proceed with a partial appropriation deferring excavation until FY-85 and accepting the impact of an additional year's delay.

Option A is documented in the current FY-84 budget. A recommended funding plan for option B is attached. Option C can be derived by subtracting the \$183 million listed in the FY-84 budget under Lands and Structures. The remaining \$4 million would still be required for Agency management of the program. A recommended option D can be derived by subtracting the excavation cost from option B.



Chief, Building Planning Staff, OL

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PARTIAL FUNDING OPTION - NEW HEADQUARTERS
(Millions of Dollars)

	<u>FY-84</u>	<u>FY-85</u>
<u>Land & Structures</u>		
Internal Roads & Site	\$ 4.9	
Power Plant	25.2	
Parking Garage	18.4	
Reception Center	0.7	
Excav. & Foundations	4.7	
Office/Computer Bldg	--	126.0
Contingency	3.6	8.4
Reserve	--	2.2
Sub Total	\$ 57.5	\$ 136.6
<u>Roads</u>	\$ 3.0	
<u>Other Project Costs</u>	\$ 4.5	\$ 27.7
<u>Total Project Cost</u>	\$ 65.0	\$ 164.3
	\$ - 122.8	\$ + 133.6